



**City of Calexico, California
Coronavirus Aid, Relief, and Economic
Security Act (CARES Act) CDBG
Coronavirus Response Funds (CDBG-CV)
COVID-19**

**Microenterprise Business Grant Program
Information and Guidelines
(BUSINESS ASSISTANCE LOANPROGRAM-BALP)**

**Planning and Building Services Department
608 Heber Avenue
Calexico, CA 92231
760-768-2105**

PROGRAM ADMINISTRATION:

The City's Planning and Building Services Department staff will serve as the primary contact for implementation of the program guidelines.

The city will:

- Market the program
- Accept and process applications
- Ensure businesses meet eligibility requirements
- Recommend approval of grants
- Ensure disbursement of grant funds; and
- Maintain grant files and fiscal records.

FUNDING ALLOCATION:

In order to assist as many businesses as possible, upon approval, funding will be up to \$7,500 per applicant.

MICROENTERPRISE ASSISTANCE

For the Microenterprise Business Grant Program, grants will be provided to Microenterprise businesses that meet at least one (1) of the following criteria:

- The business has an owner who is low-moderate income (LMC); OR
- The business provides employment support services (i.e. job training and placement, childcare, transportation, or peer counseling) where at least 51% of the persons benefiting from the service are low-income (LMC); OR
- The business employs or retains employees where 51% of the total employees are low-income (LMJ).

Microenterprises may include a wide range of service providers, such as auto mechanics, hairdressers, small restaurants, etc. All employees, part time and full time, on a business's payroll at the time of grant application will be counted. The term "employee" includes all owners of the business on the payroll, even if the owner's "salary draws" are not on a regular basis. The administrators will require the business to provide third party records documenting the current number of employees on the payroll, including all owners of the business. If the microenterprise business owner is the only employee, the owner must be income eligible.

Under the Microenterprise Business Grant Program, the owner(s) of the business must be low income qualified per HUD guidelines and the assistance must not be a duplication of benefits.

ELIGIBLE PROGRAM APPLICANTS:

- Agriculture, Commercial, Manufacturing/Industrial, Retail, Service
- Physical establishment within the City of Calexico
- Current City Business License and in operation as of December 31, 2019
- Have a demonstrated hardship due to COVID-19 (ex. loss in revenue)
- One time loan per City business entity
- Be in good standing with the City (e.g., current on utility bills, no liens or judgments, etc.)

INELIGIBLE PROGRAM APPLICANTS:

The following types of businesses are not eligible for program assistance:

- Businesses outside of the City of Calexico
- Payday cash advance businesses
- Liquor or tobacco stores
- Pawn Shops
- Firearm or other weapon dealers
- Adult entertainment
- Passive real estate investment offices
- Home-based businesses

ELIGIBLE USE OF FUNDS:

Funds under this program may ONLY be used to reimburse expenses incurred after the date your agreement is executed and following declaration of the COVID-19 pandemic and the “Stay-at home” order. Eligible uses of funds for the program must be directly related to areas impacted by COVID-19 pandemic.

B. Microenterprise HUD defines a “microenterprise” as a commercial enterprise that has five (5) or fewer employees, one (1) or more of whom is the owner. (Note: The SBA definition of a microenterprise as a business employing fewer than ten (10) employees is frequently used in declared disasters; however, grantees must use the HUD definition when determining if microenterprise activities are an eligible use of CDBG-CV funds.) Eligible microenterprise activities include providing:

- Credit, including but not limited to grants, loans, loan guarantees, Individual Development Accounts (IDAs), and other forms of financial support for the establishment, stabilization, and expansion of microenterprises;

- Technical assistance, advice, and business services to owners of microenterprises and persons developing microenterprises;
- General support to owners of microenterprises and persons developing microenterprises. General support may include such activities as peer support programs, counseling, childcare, or transportation; and
- Training, technical assistance, or other support services to increase the capacity of recipients or subrecipients to carry out microenterprise activities.

INELIGIBLE USE OF FUNDS:

- Reimbursement of expenses incurred prior to the declaration of a COVID-19 pandemic
- Repairs or maintenance costs
- Property taxes past, present or future
- Pay off non-business debt, such as personal credit cards for purchases not associated with the business.
- Any personal expenses, taxes, fines or penalties
- Funding any political activities
- Purchasing of business equipment
- Operating and working capital expenses or FF&E purchases that are covered by other public or private funding sources or insurance payments (NOTE: Other private funding excludes personal equity contributions or loans provided to the business by the owner). Funding from other sources must be fully expended prior to expending loan funds that cover “gaps” not funded by these other sources (i.e., there will be no duplication of funds).
- Research and development expenses for products or services that are not ready for sale. This is defined as products or services that are at the prototyping, product testing and marketing testing stages of development.
- Reimbursement of Borrower expenses incurred prior to loan approval by Lender unless approved by Administrator(s) as an eligible pre-development or approved disaster response related business cost.
- Reimbursement of Borrower expenses incurred prior to clearance of HUD Part 58 NEPA.
- Speculative investments (e.g., use of loan proceeds as an equity investment in another venture or an investment in a publicly traded business).
- Use of loan funds for other businesses owned by the Borrower or any other owners of the business.
- Acquisition of land for which the specific proposed purpose has not yet been identified.
- Projects involving speculative development (e.g., construction/rehabilitation of real property without a tenant that will allow the project to meet CDBG National Objective and Public Benefit requirements.).
- The business is involved in a business or the sale of products prohibited by CDBG regulations (e.g., professional sports teams).
- Assistance to privately-owned recreational facilities that serve a predominantly higher income clientele, where the recreational benefit to users or members outweighs employment or other benefits to low- and moderate-income individuals.

- Project costs associated with residential housing developments (i.e., mixed used developments) including the construction or rehabilitation of primarily residential real property or the construction or rehabilitation of Borrower-occupied residential real property not directly associated with the operation of the business.
- Cash payments of any kind made directly to the assisted business owner(s) in the form of wages, draws or debt repayment from loan proceeds.
- Construction/rehabilitation of buildings or portions thereof, used for the general conduct of government.
- Businesses whose principal service is the conducting of political activities.
- The relocation of a business where the relocation violates CDBG regulations as defined in Section 105, Anti-Pirating Rule.
- The business' goods or services involve the distribution, sale or use of products or services considered illegal under federal law (e.g., cannabis or products containing cannabis or cannabis derivatives).
- Uses by nonprofit businesses defined as ineligible by HUD and Department regulations and guidelines.

FEDERAL REQUIREMENTS:

There are a number of other federal laws and requirements that are triggered by use of CDBG funding. The Lender will provide oversight while the Administrator(s) will take the lead and ensure compliance with these other CDBG regulations in conformance with standards set by the HUD. Impacts these federal regulations will have on a proposed project will be explained to the Borrower at the time of loan application.

National Environmental Policy Act (NEPA) regulations require Part 58 Environmental Review (NEPA) be completed and an Environmental Review Record (ERR) be maintained for each project/business funded with CDBG monies prior to award or approval of funds. The Lender is required to complete the proper NEPA review along with any state review under the California Environmental Quality Act (CEQA). The level of NEPA review is based on the type of project proposed and ALL aggregated activities to be undertaken. The Administrator(s) may complete the NEPA for the Lender but the Lender must sign and take legal responsibility for the review and maintenance of the ERR. As appropriate, NEPA documents may be submitted to State CDBG staff for review and comment prior to Lender certification and submission into Lender's ERR prior to loan approval or moving forward with the project.

Applicants will be informed of any additional time required for loan processing due to the NEPA review. The NEPA will be done as soon as the Administrator(s) determine that the project is eligible for funding. No costs will be charged to the Borrower for this process. Once an application is submitted no activities can be done on the project until completion and certification of the NEPA by Lender as part of the ERR as this would be a choice limiting action under NEPA regulations.

IDENTIFYING AWARDEES:

No person or business shall be excluded from participation in, denied the benefit of, or be subjected to

discrimination under any program or activity funded in whole or in part with BALP funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause. All personal information of loan applicants will be kept confidential.

LOAN APPLICATION PROCESS:

1. Submit all required documents and forms:
 - Valid Business License
 - Valid California Driver's License or identification card with your name and address
 - Site Lease or Rental Agreement
 - Proof of loss or reduction in income due to COVID-19 (most current monthly Profit and Loss Statements)
 - List of Employees
 - Payroll Register
 - Documentation to support low-mod income benefit
 - An Employer Identification Number (EIN, Federal Tax ID Number)
 - Dun & Bradstreet Number (DUNS Number)
 - Business Bank Account
 - Owner must be 18 years or older
 - Owner is not currently in bankruptcy
2. Complete the Application Checklist
3. Submit the application and copy of all required supporting documentation:

Hand delivered to City Hall
Planning and Building Services Department
608 Heber Avenue
Calexico, CA 92231

4. Application screening for eligibility, and submittal of all required documentation.
 5. Grant Review: Deny or Approve
 6. Completion of Grant Agreement
 7. Disbursement of grant funds
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- Completed loan applications for the business assistance program will be processed on a first come, first served basis, unless the pool of eligible applicants exceeds the funding available.
 - If the pool exceeds available funding, applicants maybe selected using a lottery type system.
 - Completed loan applications are determined at the discretion of the Administrator(s).
 - Technical Assistance may be provided to help business complete applications based on the availability of Technical Assistance resources.
 - The Administrator(s) will provide applicants with an application and checklists.
 - The Administrator(s) will accept applications and review them for initial eligibility.

- Applications that do not meet basic requirements of the program may, at an Administrator's discretion, be returned with an explanation of requirements needing to be met.
- The Administrator(s) may also meet with the business owners and/or visit the site of the business based on the loan amount and the anticipated risk associated with the loan.
- Loan files will be set up as applications are received and proper information gathered. The Administrator(s) will pay a visit to the businesses location and meet personally with the owner(s).
- Technical assistance will be provided as needed to help the business provide proper information for loan underwriting. The business will be required to provide proper financial information and agree to have credit checks conducted as part of loan processing. The Administrator(s) may provide sample financial forms (balance/cash flow sheets, profit and loss, personal financial statements, pro forma financial statements), but in no instance will an Administrator's staff person or Lender's staff fill out financial forms for applicant.
- Applicants are responsible for providing accurate and timely information to the Administrator(s) as part of the loan process. This includes disclosing any other business owners that have 20% or more interest. All the owners of the business owning 20% or more interest in the business must provide proper financial information. Borrower(s) will be required to provide sources of security, if appropriate, that the Lender can lien. Borrower(s) will provide financial information from the past performance of the business with explanations of special circumstances of past performance. Owner(s) must provide information on equity invested in the business to date and any current assets available for equity investment into the project. Borrower will be required to determine future income projections for the business that are reasonable and in line with past trends of the business.
- If the applicant does not provide required information and documentation to the Administrator(s) in a timely fashion (i.e., within 30 days), then any delays in the loan approval process is not the responsibility of the Lender or the Administrator(s) and the application may be rejected if insufficient cause for the delay is provided.
- Once the Administrator(s) have compiled a complete application file with all the credit, financial, and underwriting information needed to show a Borrower is eligible for a loan under these guidelines, then a memo will be drafted that outlines the applicant's creditworthiness, available security (if appropriate) and CDBG compliance.
- The memo with proper documentation will be provided to a Program Review Committee for review and approval/denial. Once the loan is approved by the Program Review Committee, the loan documents will be drawn for loan closing.

- The Administrator(s) will be responsible to the Lender to ensure that the loan is implemented in compliance with state and federal regulations. In addition, loans must be underwritten in accordance with program CDBG, and HUD guidelines in a timely and responsible manner. This includes developing accurate and professional files, work write-ups and contract documents. The Administrator(s) or its representatives will ensure the funded activities are completed in accordance with HUD and Department CDBG National Objective, Public Benefit and Underwriting regulations and guidelines as appropriate for each applicant.
- The Program Review Committee (PRC) will be comprised of three (3) members and one (1) alternate as defined below. The alternate member will serve in the absence of any Committee member.
- The City Manager will designate a responsible City staff position (“Designee”) who shall appoint a Program Review Committee (PRC) consisting of qualified persons with experience in economic development programs, CDBG, business lending and/or business finance, to review loan applications and modifications and make recommendations to the Designee. The PRC may be made up of a combination of City employees and non-employees. City employees may participate during work hours and with the approval of their supervisor. Non-employees will not become City employees by participating on the PRC, nor will they be paid any compensation for serving on the PRC. After taking into consideration the recommendation of the PRC, the Designee will approve/deny loan applications and modifications, as well as make other determinations as provided for in the Guidelines. The PRC may recommend, and the Designee may require, additional information and/or include contingencies for final approval and loan closing.
- A quorum will be two (2) members. The proposed term of a specific PRC member is three years. PRC members may serve multiple terms. Committee members will be considered present whether participating in person or via video conference or telephone.
- It is the intent of the Lender, if necessary to utilize the services of the PRC for all CDBG Financing Programs involving loans to CDBG-eligible businesses.

DECISION APPEAL PROCESS:

Any business applying for assistance through this CDBG program has the right to appeal if their application is denied. Program applicants can appeal decisions of the Designee to the City Manager, then to the City Council. Any appeals to the decisions of the PRC must be filed by the applicant in writing with the City Manager within thirty (30) days of receiving written notice of the PRC decision. Any appeal of the City Manager’s decision must be filed with the City Clerk (on behalf of the City Council) in writing by the applicant within thirty (30) days of receiving written notice the City Manager’s decision.

NO CONFLICT OF INTEREST:

In accordance with Title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities (including members of the PRC

and officers, employees, and agents of the PRC, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program will be eligible for this program, or directly or indirectly receive financial benefit from this business assistance loan program. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body and authorized in writing by Lender's legal counsel. In the event representatives from the PRC have a separate financial, legal interest in a loan applicant or is a family member of the applicant, such member may not participate in the loan review process for that particular applicant.

EXCEPTIONS/SPECIAL CIRCUMSTANCES:

Exceptions are defined as any action, which would depart from policy and procedures stated in the guidelines. For example, if the cost of rehabilitation for critical code deficiencies exceeds 100% of the after-rehabilitation value of the property, the PRC can, on a case-by-case basis, accept a partially secured loan.

The Lender (excluding members of the PRC) or its agent may initiate consideration of an exceptional or special circumstance. A report on the situation must be prepared. This report will contain a narrative, including the Administrator staff's recommended course of action and any written or verbal information supplied by the applicant. The Program Review Committee will then make a determination on the exceptional/special circumstances request at a regular or special meeting.

Loan payments may, on a case-by-case basis, be deferred for a period of time to allow a startup or expansion of a business to take place. This payment deferral determination is made by the Administrator(s) based on the breakeven point of the business in the future and the ability of the

DETERMINATION OF LOAN AMOUNTS

Funding will not exceed \$7500 with minimum and maximum loan amounts determined at the time of application and underwriting. The forgivable amount of a loan will be in accordance with HUD and/or Department regulations and/or guidelines.

Loan amounts for loans with repayment terms will be determined based on the ability of the business to service the new CDBG loan payment, and the reasonableness of the costs to be paid by CDBG. If there are not sufficient CDBG funds for the project, then the Administrator(s) can assist in locating other public or private funding to leverage CDBG funding.

DETERMINATION OF LOAN TERM

The loan term for loans with repayment terms will be tied directly to what is being funded and what security is being pledged for the loan. The loan term for loans with forgiveness terms will be determine in accordance with HUD and/or Department regulations and/or guidelines as outlined in Appendix A.

DETERMINATION OF LOAN INTEREST RATE

Interest rates for loans with repayment terms will be determined at the time of loan underwriting by the Administrator(s) and finalized in concurrence with these program guidelines and the Program Review Committee. This rate will, to the extent practicable, comply with CDBG underwriting guidelines that will prevent undue enrichment to a private for-profit business or business owner(s). Factors that will be considered when setting the interest rate include: (1) the amount of equity the business brings into the proposed project; (2) the ability of business to

service the loan; (3) the rate of return the Borrower will receive with a lower interest rate; and (4) the credit risk factors and management experience of Borrower. By allowing the interest rate to be determined on a case-by-case basis, the Lender can tailor the loans to meet the needs of different businesses in the community.

Loan interest rates for loans with forgiveness terms will be determined in accordance with HUD and/or Department regulations and/or guidelines.

MONITORING AND AUDITING:

The City of Calexico will implement a monitoring and auditing program once awardees are identified.

DUPLICATION OF BENEFITS PROCESS:

City of Calexico Duplication of Benefits Process All applications to the City's City of Calexico Economic Development Business Assistance Program are required to complete a Duplication of Benefits Affidavit as part of the application process. This affidavit acknowledges the City's requirement that any person or entity receiving CDBG-CV assistance must agree to repay assistance that is determined to be duplicative.

To meet HUD's requirements, the City has developed a method of assessing whether the use of CDBG-CV funds will duplicate financial assistance that is already received or is likely to be received by acting reasonably in evaluating need and the resources available to meet that need. This assessment process is as follows:

1. Upon receipt of the completed application packet, the City of Calexico Finance Department reviews the Duplication of Benefits Affidavit to determine if the applicant has reported receiving any potentially duplicative assistance.
2. If so, the City of Calexico Finance Department may request additional information from the applicant, including: a. Dates funds were received b. Specific uses of funds received, including receipts and dates as appropriate.
3. Based on a review of this information, the City of Calexico Finance Department] may:
 - a. Determine that there is no duplication and proceed with consideration of the application for the full amount requested.
 - b. Determine that there is a partial duplication and proceed with consideration of the application for an amount that reduces the request by the DOB amount i. Amount Requested – Amount of DOB = Eligible Amount
 - c. Determine that there is a complete duplication and deny the application

4. In the event that an application moves forward and is approved, in whole or in part, the applicant will be required to sign a Subrogation Agreement to address concerns around the potential for future duplication (for example a PPP application was made, and was not denied but the applicant has not heard back).

5. In the event that an application is approved in part, the City of Calexico Finance Department will also include in the funding documents specific information around what the funds may be spent on so as to avoid duplication of benefits.

6. The City of Calexico Finance Department will require all successful applicants to provide documentation as to how funds are actually expended, and will review this documentation to ensure no duplication has taken place.

All application documents, including the Affidavit and Subrogation Agreement, shall be retained in compliance with HUD's record retention requirements.

FORGIVENESS LOAN CLAUSE

Loans are limited to one time loan per state business entity and businesses must be in good standing with the City (e.g., current on utility bills, no liens or judgments, etc.) In order to assist as many businesses as possible, upon approval, funding will be up to \$7,500 per applicant.

The Applicant would be eligible for a forgiveness clause should the entity prove that it has maintained or hired back the previous workforce. The forgiveness clause would be triggered by the decrease in before and after employment numbers with a 20% decrease in the forgiveness amount per one (1) Full Time Employee lost. **EXAMPLE** - If a business laid off five (5) employees or more and after the six (6) month anniversary, these Full Time Employee had not been hired back or replaced, the entire loan amount would need to be paid back (20% decrease in forgiveness per job lost). Full Time Employee had not been hired back/replaced, the entire loan amount would need to be paid back (20% decrease in forgiveness per job lost).

The City of Calexico determines the total number of employees of a business on a Full Time Employee basis. A full-time employee is one who works 40 hours per week. For example, one employee who works 40 hours per week equals one Full Time Employee.

To determine the Full Time Employee number for part-time employees, add the total number of hours worked in a week by all part-time employee, and then divide that number by 40.

EXAMPLE - If a business has four part-time employees who work a total of 10 hours per week, those employees equal one Full Time Employee.